

# **Social Policy and the Global Crisis: Consequences and Responses**

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## **Determinants of child poverty and policy responses in the European Union**

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## **Abstract**

The development of presently young generations and their coming performances as adults strongly determine the future outcomes of the societies: socially and financially sustainable economic growth, quality and quantity of employment, social cohesion and maintainable welfare systems. It reinforces the EU objective of promoting sustainable development by combining economic growth and more and better jobs with a strong emphasis on social cohesion. Poverty and social exclusion can be seen as an obstacle for children in achieving their full potential, over which they do not have any control. Therefore, societies would clearly benefit as a whole by investing public resources to alleviate child poverty, to promote the social inclusion of children and to foster their human capital. One of the most striking challenges of the present economic crisis is the expected increase in child poverty and therefore in income and social inequalities due to decreasing public and private investments in children. Parents with weak labour market attachment are especially vulnerable to economic and labour market shocks.

Member States of the European Union show a great variation in terms of both poverty risk of children, its main factors and the performance of policies aimed at reduce child poverty and improving child well-being among children. This paper comparatively evaluates the key challenges of countries, their relative performance and their outcomes in terms of child poverty and well-being. A country typology is formed based on relevant indicators related to the household level (e.g. labour market participation of parents) and institutional determinants of child poverty and also to effectiveness of policies in place. EU-SILC is used as a main data source for the analytical assessment, complemented with the portfolio of agreed Social OMC indicators. The main conclusion of the paper is that best performances across the Members States in the field of child poverty are the result of a combination of three main factors: high labour-market participation of parents, low in-work poverty and effective income support.

**Keywords:** child poverty, effectiveness of policies, European Union

## Introduction

The set of tools at the hand of the European Union to influence the social policy practice of Member States is restricted. Among these tools one might enlist the setting of strategic targets at EU level, as well as the Social Open Method of Coordination and the regular reporting commitment of the Member States. There are however, key issues on the policy agenda of the European Union, which themselves may serve as incentives for Member States to focus on these areas. Among these issues, fighting poverty and social exclusion is of major interest. Accordingly, a poverty target has been just recently adopted by the European Council, as part of the Europe2020 strategy (EC 2010).

Starting from the mid 2000s, child poverty became a key issue on the EU policy agenda, the process of child mainstreaming being initiated by the Luxembourg presidency in 2005. This was followed one year later by the Commission Communication, which expressed the need for regular reporting on the situation of child poverty and social exclusion in the Member States. Also, the need for a complex and coherent set of child well-being indicators gained ground within the Social OMC process.

This paper aims at evaluating the relative performance of EU-27 Member States in the field of child poverty and at drawing policy conclusions for future practice on both EU and country level. The analysis strongly builds on the report commissioned by the Directorate General for Employment, Social Affairs and Equal Opportunities and prepared by the international consortium lead by TÁRKI and Applica (Brussels) (TÁRKI 2010).<sup>2</sup> The analytical framework applied in this paper corresponds to what the TÁRKI report also applied (2010). The comparative evaluation of the countries' performance is built exclusively on indicators that are parts of the agreed Social OMC portfolio of indicators. The assessment is conceived to evaluate the situation of children in four dimensions: child poverty risk outcomes, joblessness, in-work poverty and government intervention. The paper is structured according to these four areas, concluding in a comparative section on the relative performance of the Member States.

## 1. Child poverty outcomes

### *The extent of poverty*

On average, one child in five in the European Union (EU-27) lives in poverty (Figure 1). The risk of poverty among children varies considerably across the Member States. Children face the highest risks in the two newcomer countries – Bulgaria (26%) and Romania (33%) – and the lowest in the Nordic countries (Denmark 9%, Finland 12% and Sweden 13%), Slovenia (12%), the Netherlands and the Czech Republic (13-13%). Apart from the two countries that

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<sup>2</sup> The project was carried out between December 2008 and December 2009 and was commissioned by the Directorate General of (contract No: VC/2008/0287). The outcome of the project is a joint work of an international research group, being coordinated by TÁRKI Social research Institute (Budapest) and Applica (Brussels) (project directors: István György Tóth and Terry Ward). More details about the project are available on [http://www.tarki.hu/en/news/2010/items/20100323\\_en.html](http://www.tarki.hu/en/news/2010/items/20100323_en.html), while the deliverables of the project are downloadable from <http://www.tarki.hu/en/research/childpoverty/downloadables.html>.

Next to the author, the corresponding parts of the report were a joint effort of TÁRKI (Anikó Bernát, Zsófia Ignác, Marianna Kopasz, Márton Medgyesi and Orsolya Mihály) and Applica researchers, as well as of Orsolya Lelkes (European Centre for Social Welfare Policy and Research, Vienna).

joined the EU in 2007, the highest at-risk-of-poverty rates may be observed in the Southern countries (Italy 25%, Spain 24%, Greece and Portugal 23-23%), in Latvia (24%), Lithuania (23%), the UK (23%) and Poland (22%). The countries of Continental Europe and many of the new Member States fall in the middle.<sup>3</sup>

The risk of poverty among children is 3 percentage points higher than for the general population (17%) in the European Union as a whole.<sup>4</sup> This pattern is evident in most of the Member States: the at-risk-of-poverty rate for children exceeds the overall poverty rate. The exceptions are Denmark, Estonia, Cyprus and Finland, where the at-risk-of-poverty rate among children is lower than the overall at-risk-of-poverty rate. In Slovenia, Sweden, Germany, and Latvia, the child poverty rate appears to be approximately equal to the overall poverty rate. The poverty risk of children relative to the overall population is highest in Hungary, where it exceeds that of the overall population by 60%; the Czech Republic, Luxembourg, Romania and Slovakia being also close to this figure.

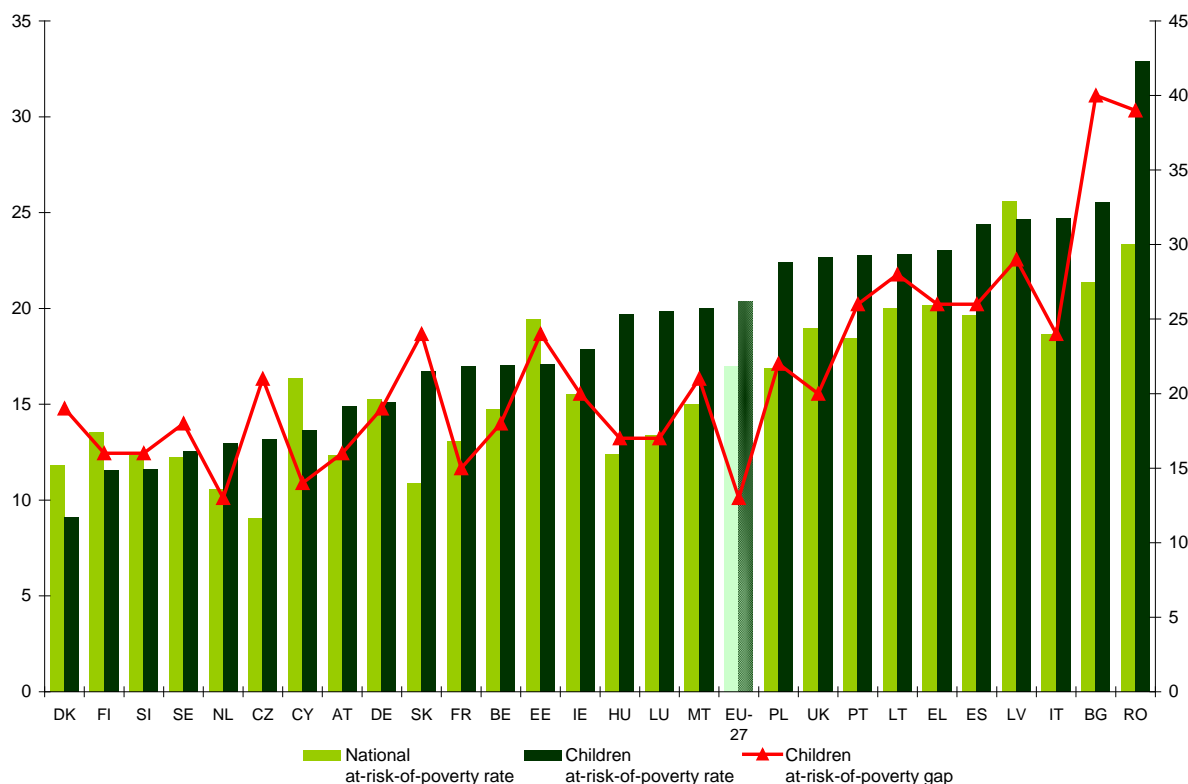
The relative concept of poverty used by the European Union (as well as by this paper), the at-risk-of-poverty threshold is defined as 60 per cent of national equivalised median income. The value of this threshold, expressed either in Euro or in purchasing power standard (PPS), is to some degree related to the country's economic development, and gives an indication of the differences in the income levels of countries at the same time (TÁRKI 2010). The risk of poverty of children does not vary across the Nordic or the Continental European countries according to their general income level: the value of the poverty threshold varies within a relatively narrow range, while the at-risk-of-poverty rate is somewhat larger, very different levels of poverty risks belonging to similar thresholds. There is a negative relationship, however, between the value of the poverty threshold and the at-risk-of-poverty rate for children throughout the new Member States: the higher the value of the threshold, the lower the poverty risk of children. On the other hand, the opposite is true of the Southern countries: the level of the at-risk-of-poverty rate increases with the poverty threshold value.

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<sup>3</sup> Taking into account that the relative concept of poverty is applied throughout this paper, we need to mention that the risk of poverty for a specific social group is related to the risk of others. In the case of children, their risk of poverty is, to some extent, conditional on that of adults, mainly of the elderly. As an extreme case, Cyprus may be mentioned: there the risk of poverty among the elderly is the highest of all Member States.

<sup>4</sup> All figures referring to the European Union as a whole in this report are weighted averages, unless otherwise specified.

**Figure 1 Child poverty risk outcomes, EU-27, 2008**



*Source:* EUROSTAT, own estimations based on EU-SILC 2008 version 1 (01.03.2010). Data for France and Malta are available from the EUROSZTAT database only.

*Notes:* The income reference year of the EU-SILC 2008 is 2007. Exceptions in this respect are the United Kingdom for which the reference year is 2008 and Ireland for which the survey is continuous and income is collected for the last twelve months. Since the practice of the EUROSTAT refers to these data as 2008, we keep it to avoid ambiguity in the interpretation of results.

*At-risk-of-poverty rate:* the share of the population at risk having an income lower than the 60 percent of the national equivalent median income.

*Relative median poverty gap:* the distance between the median income of people at-risk-of-poverty and the poverty threshold.

Countries are ranked according to the at-risk-of-poverty rate of children.

### *The severity of poverty*

In the European Union as a whole, the median income of those at risk of poverty falls 23% short of the poverty line (see Figure 1.3). The relative median poverty gap of children has a similar value, being only slightly higher than for the overall population (24%). The lowest poverty gap of children is observed in Finland, the distance between the income of children<sup>5</sup> at risk of poverty and the poverty line being 12% of the poverty threshold. Bulgaria and Romania record the highest poverty gaps among children. In those countries, the median income of children at risk of poverty is 40% lower than the poverty line. In Lithuania (30%) and Greece (29%), the difference is over 5 percentage points more than the EU-27 average.

<sup>5</sup> As a main rule, children are units of analysis in this paper. The income of household is equally distributed across their members; the income of children should be interpreted within this frame.

## An overview

Table 1 summarizes the main patterns that are observed across countries with respect to the two already discussed child poverty outcomes: extent and severity of poverty. The severity of poverty among children tends to be high where the incidence of poverty is also high. Most of those countries with a risk of poverty lower than the EU average also have a relative median poverty gap lower than (or similar to) the EU benchmark. In all countries where the extent of poverty among children is low, the severity of poverty stays below or near the EU average. The severity of poverty varies across countries where the incidence of poverty among children is close to the EU average. In France, Luxembourg, Hungary and Malta, the relative median poverty gap is at least 5 percentage points lower than the EU benchmark, while in Lithuania the poverty gap exceeds the EU average by the same amount. In countries, where the risk of poverty is high compared to the EU-average, the severity of poverty also tends to be high among children. Three Eastern countries, Bulgaria, Latvia and Romania show much higher than average figures in both dimensions.

**Table 1 Summary table of child poverty risk outcomes: extent, severity, persistence – an EU-wide comparison, EU-27, 2008**

	At-risk-of-poverty rate lower than the EU average (by at least 3 percentage points)	At-risk-of-poverty rate around the EU average	At-risk-of-poverty rate higher than the EU average (by at least 3 percentage points)
Relative median poverty gap lower than the EU average (by at least 5 percentage points)	CY, NL, AT, SI, FI	FR, LU, HU, MT	
Relative median poverty gap around the EU average	CZ, DK, DE, SE	BE, EE, IE, EL, PL, PT, SK, UK	ES, IT
Relative median poverty gap higher than the EU average (by at least 5 percentage points)		LT	BG, LV, RO

*Source:* Own classification based on EUROSTAT data on at-risk-of-poverty rate and relative median poverty gap.

## 2. Joblessness

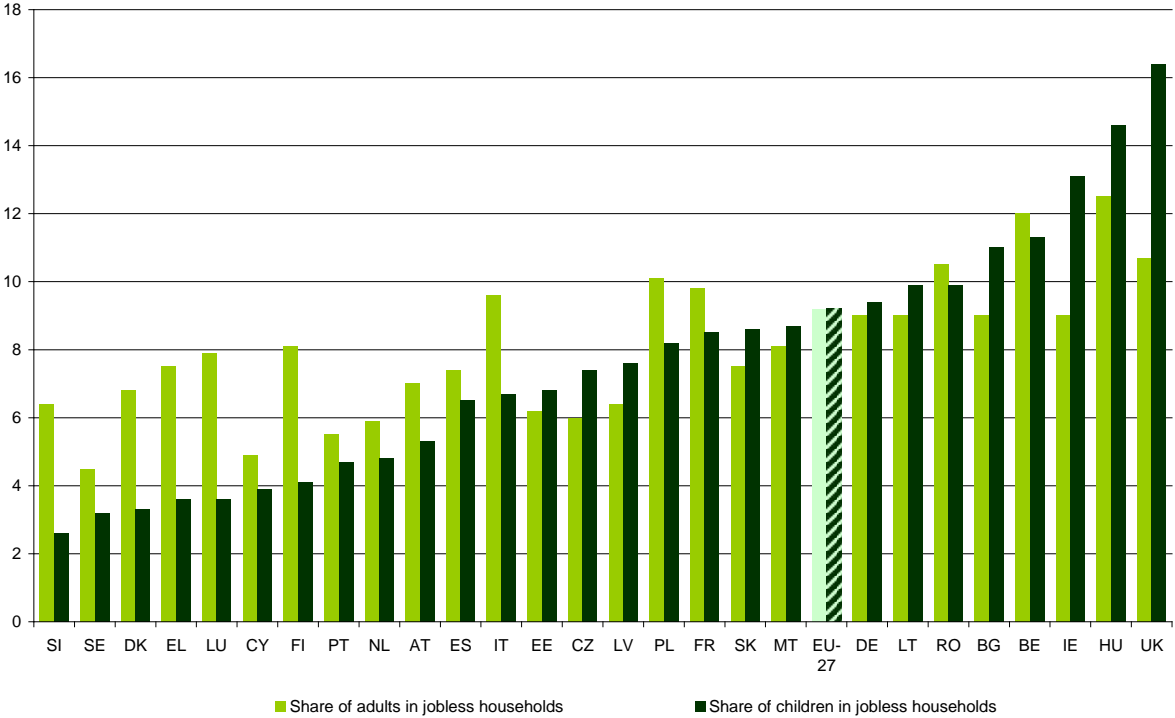
One of the indicators used at the EU level to monitor social inclusion in the different Member States – i.e. one of the so-called ‘Laeken indicators’ – is the proportion of children living in jobless households, which are defined as households in which no one of working age is in employment. The source of this indicator is the European Labour Force Survey (LFS), which defines employment as ‘being in work for at least one hour during the reference week of the survey’. In other words, if no one in the household was employed in the week concerned – even for as little as one hour – then the household is classified as jobless.

According to this source, 9.2% of children in the EU-27 lived in jobless households in 2008; the figure was the same for the EU-27 countries on average. In recent years, the share of children in jobless households peaked in 2002–03 (10.2%), since when it has slowly declined. By far the highest proportion of children in jobless households is to be found in the United Kingdom (16.4%), but more than one child in 10 lives in a jobless household in Hungary

(14.6%), Ireland (13.1%), Belgium (11.3%) and Bulgaria (11%), as Figure 2 shows. At the other end of the scale are Slovenia (2.6%), Denmark (3.3%), Greece (3.6%), Luxembourg (3.6%) and Cyprus (3.9%).

Adults (aged 18–59, except students) in jobless households represent the same share of the reference population as children at the EU level (9.2% for EU-27). The data displayed in Figure 2 indicate a positive correlation between indicators for adults and children, but the dispersion of the former is much smaller: the values range from 4.9% (Cyprus) to 12.5% (Hungary), while for children they range from 2.6% (Slovenia) to 16.4% (UK). Accordingly, the distance between the adult and the child figures is greatest for the bottom- and the top-ranked countries.

**Figure 2 Children in jobless households, EU-27, 2008 (%)**



Source: EUROSTAT, based on EU-LFS.

Notes: No Swedish data are available from the EU-LFS. We used EU-SILC data for Sweden, and we considered children in households with zero work intensity as being jobless.

Adults are people aged 18–59, living in non-student households. Countries are ranked according to the share of children in jobless households..

Although the share of children living in jobless households is relatively low compared to the number of all children in that country, their risk of poverty is extremely high and this is how joblessness contributes in a most direct way to child poverty. Analyses based on the EU-SILC (households with zero work intensity being considered as jobless) show that the risk of poverty of these children is near 70% in the European Union as a whole (TÁRKI 2010; Gábos 2010). Accordingly, in some countries (Belgium, the Czech Republic, Ireland, the UK) the share of children in jobless households might reach two-fifths of those at-risk-of-poverty, while in Southern countries this proportion is only around 10-15%. More detailed analyses also show that in the above-mentioned countries where the challenge of joblessness is among the strongest in Europe (Belgium, the Czech Republic, Ireland, the UK), living in jobless

households is often associated with living in single parent families for children (TÁRKI 2010).

### 3. In-work poverty

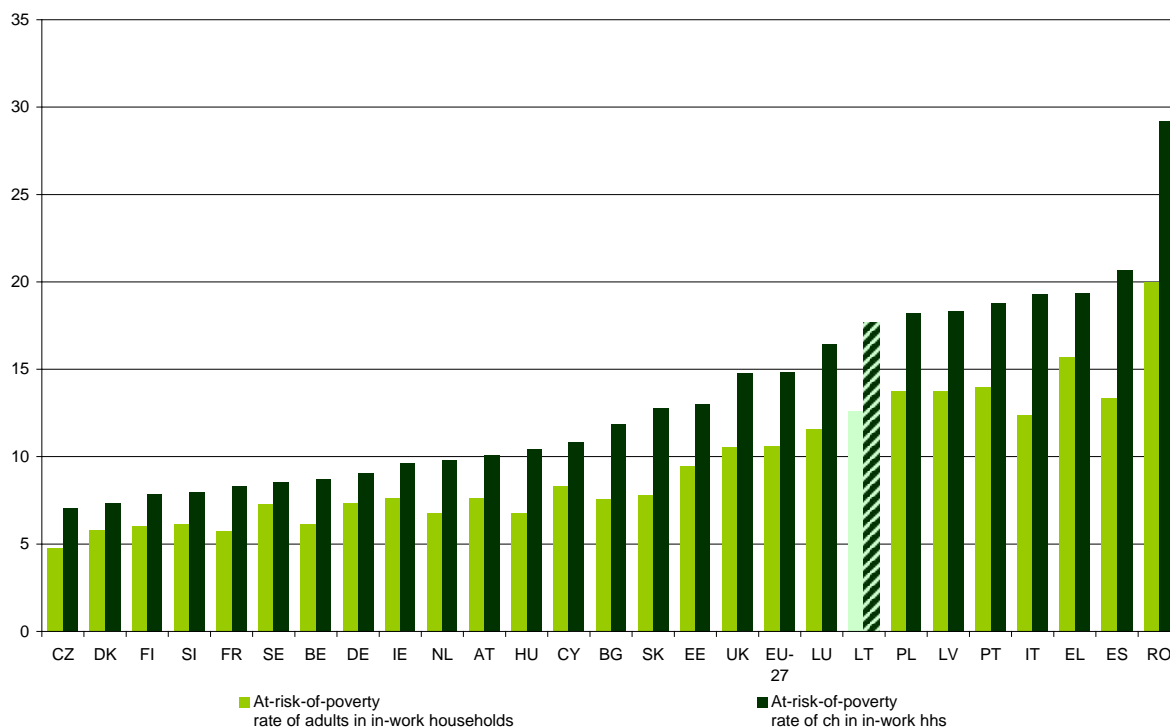
Previously, we could see that while the share of children in jobless households is relatively low in an EU-wide comparison, their risk of poverty is extremely high, these children living almost certainly in poverty. Analyzing EU-SILC data however, show that most of children at-risk-of-poverty live in families where at least one adult (in most of the cases the father) is employed full-time, while the work intensity of the household reaches or exceeds 0.50. The so defined *in-work poverty* may occur due to three main reasons (being also correlated with each other): (1) the high number of inactive member; (2) low earnings, and (3) characteristics of the social transfer system. The number of active members affects in the most direct way the risk of poverty of children in in-work households, and the labour supply of the mother is crucial in this respect.

There are important differences across the EU Member States in what labour market portfolio the parents in in-work households manage, whether only one of them or both of them is working, and whether full-time or part-time (TÁRKI 2010). In the Nordic countries the 'two-breadwinner' model is dominant, while in Finland and mainly in Sweden the second earner is often employed only part-time. In the same group of countries we may include Slovenia and Cyprus, in which countries however part-time work is almost unknown. In other countries, the 'one and a half breadwinner' model prevails, the father usually working full-time, while the mother half-time. The idealtypic case for this model is the Netherlands, where the two-thirds of mothers is in a part-time job, but we can also mention the United Kingdom, Belgium, Germany, Austria, Luxembourg and France where the share of mothers in part-time employment is considerably high. The 'one breadwinner' model is widespread also in Germany and Austria, but it mostly characterises the Southern and the Eastern-European countries, where the incidence of part-time work is extremely low.

In the average of the European Union, children living in in-work households face a considerably higher risk of poverty (15%) compared to the overall population (11%). This correspondence holds for all Member States (Figure 3). Moreover, the higher the overall risk is, the higher the difference between children's poverty rate and the overall figure is. The in-work poverty of children in Romania is the highest within the EU (29%). We may also find high figures in Southern (19-21%) and some Eastern-European countries (Lithuania, Latvia, Poland 18-18%), where the share of children in 'one breadwinner' households is the highest. On the other end of the range stay countries predominantly characterised by the 'two breadwinner' model (the Czech Republic and Slovenia) and those where the part-time employment of mothers is high: France, Belgium, Germany, Ireland, the Netherlands, Austria (7-10%). Looking at the EU-average, four-fifths of all children live in in-work households, while they count for half of children at-risk-of-poverty. The latter figure the highest in Luxembourg (73%), Spain (71%), Greece (69%), as well as in Latvia and Sweden (64-64%) (TÁRKI 2010).



**Figure 3 In-work poverty among children, EU-27, 2008 (%)**



*Source:* EUROSTAT, own calculations based on EU-SILC 2008 UDB (version 01.03.2010).

*Notes.* The income reference year of the EU-SILC 2008 is 2007. Exceptions in this respect are the United Kingdom for which the reference year is 2008 and Ireland for which the survey is continuous and income is collected for the last twelve months. Since the practice of the EUROSTAT refers to these data as 2008, we keep it to avoid ambiguity in the interpretation of results.

Children facing in-work poverty are those living in households of which work intensity is greater or equal than 0.50. The work intensity indicator of the EUROSTAT monitors the extent to which household members of working age (18-64) are employed relative to the theoretical situation when all such household members are full-time employed during the whole year. The measure may take values in a range between 0 and 1.

Countries are ranked according to the poverty rates of children.

#### **4. The effectiveness of the government intervention: the poverty reduction effects of income supports**

Welfare states provide public transfers for families, thus reducing the ‘private costs’ of having children.<sup>6</sup> Two main reasons might be distinguished why a society should redistribute resources towards families. Governments could promote:

- horizontal equity, by redistributing resources from those without children to those with;
- vertical equity, by redistributing resources from those with high income to those with low.

Furthermore, there are specific policy objectives related to redistribution that seeks horizontal equity. Governments could pursue:

<sup>6</sup> For a detailed survey on costs of children, see Letablier et al. (2009) prepared for the European Commission.

- public investment in human capital formation of future generations, acknowledging that better-educated and more healthy children benefit society as a whole;
- higher levels of fertility, by providing material incentives for parental decisions;
- well-being and well-becoming of children;
- labour-market participation of women, gender equity and reduced work–family conflicts.

Distinguishing between these reasons is mainly analytical. In reality, there are strong interdependencies between these objectives, and often trade-offs between the underlying processes. Every policy design should take into account that following only one objective could produce negative outcomes in terms of the others. For example, increasing income support to reduce poverty might negatively affect labour-market participation, while incentives for increased labour-market participation might reduce fertility, unless other policies (e.g. childcare services) are introduced or improved.

The effectiveness of various policies in reducing child poverty has been the subject of a large number of studies.<sup>7</sup> Both cross-sectional and longitudinal surveys, using a standardised methodology, have been carried out on a regular basis in many European countries, enabling an analysis of policies to be undertaken. Cross-country databases have been constructed and are now available to analyse the performance of different national policies and welfare regimes in this respect. Although there are standardised indicators to assess the role of policies in alleviating income poverty among children and to describe trends over time, the problem remains of linking ‘input’ (public and family resources) with ‘output’ (future health status, educational attainment, economic and social well-being) in an unambiguous way.<sup>8</sup>

Assessment of the effect of policy may be based on many output indicators, and whether one or another is used depends largely on data availability. Our analysis of the role of policies in reducing relative income poverty among children relies on most types of indicators listed below:

- **coverage**, which relates to the population eligible for a given benefit;
- **adequacy**, which denotes the level of benefits and is usually measured as total expenditure on the transfer concerned per recipient or participant. As an alternative indicator of adequacy, expenditure can also be expressed in relation to household disposable income;
- the **incidence** of benefits, which indicates how far they are **distributed** towards and concentrated on specific households;
- the extent of reduction in poverty achieved through benefits, which is the most frequently used measure of policy **effectiveness**. As an indicator of effectiveness, the poverty-reduction impact of public transfers was implicitly included in the set of Laeken indicators;
- **efficiency**, which measures the effectiveness of policies per unit of cost.

We now examine the impact of income support on child poverty by taking the effectiveness of transfers as main indicator. The poverty-reduction impact of public cash transfers could be estimated in many ways, but there are two that are most commonly applied. The withdrawal-

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<sup>7</sup> A non-exhaustive list would include Oxley et al. (2001), Ruhm (1998), Apps and Rees (2001), Chevalier and Viitanen (2002), Del Boca et al. (2003), Jaumotte (2003), Bradbury and Jäntti (2001), Chen and Corak (2005), UNICEF (2005), Corak et al. (2005), Immervoll et al. (2001), Matsaganis et al. (2006), Tóth and Gábos (2005), Förster and d’Ercole (2005).

<sup>8</sup> Garfinkel et al. (2004).

effect method seeks to show how much higher the extent of poverty would be if cash transfers did not exist. This method first estimates poverty rates using household disposable income (including transfers) and then calculates poverty rates once the transfers have been removed from the total household income. The policy-impact method (used in EU Task-Force 2008 report, among others) first estimates poverty rates before transfers and then adds specific transfers to evaluate the poverty-reduction effect of income supports. Both methods are counterfactual and have severe limitations, but are widely used in the literature since they are easy to interpret.<sup>9</sup> We rely on the second method, since conceptually it is closer to what was done when the streamlined social inclusion portfolio of Social OMC indicators was set.

In this part of the report, we first examine the incidence of social transfers (excluding pensions), covering unemployment benefits, sickness benefits, disability benefits, education-related allowances, family- or child-related allowances, housing allowances and other social assistance benefits not classified elsewhere – according to the EU-SILC UDB description.

About one-third of children in the European Union as a whole would be at risk of poverty if social transfers (excluding pensions) did not exist (Figure 4., Table A1). Considering the 20% at-risk-of-poverty rate among children for the EU-27, this implies a poverty-reduction effect of 13 percentage points (38% compared to the at-risk-of-poverty rate before transfers) among children on average.

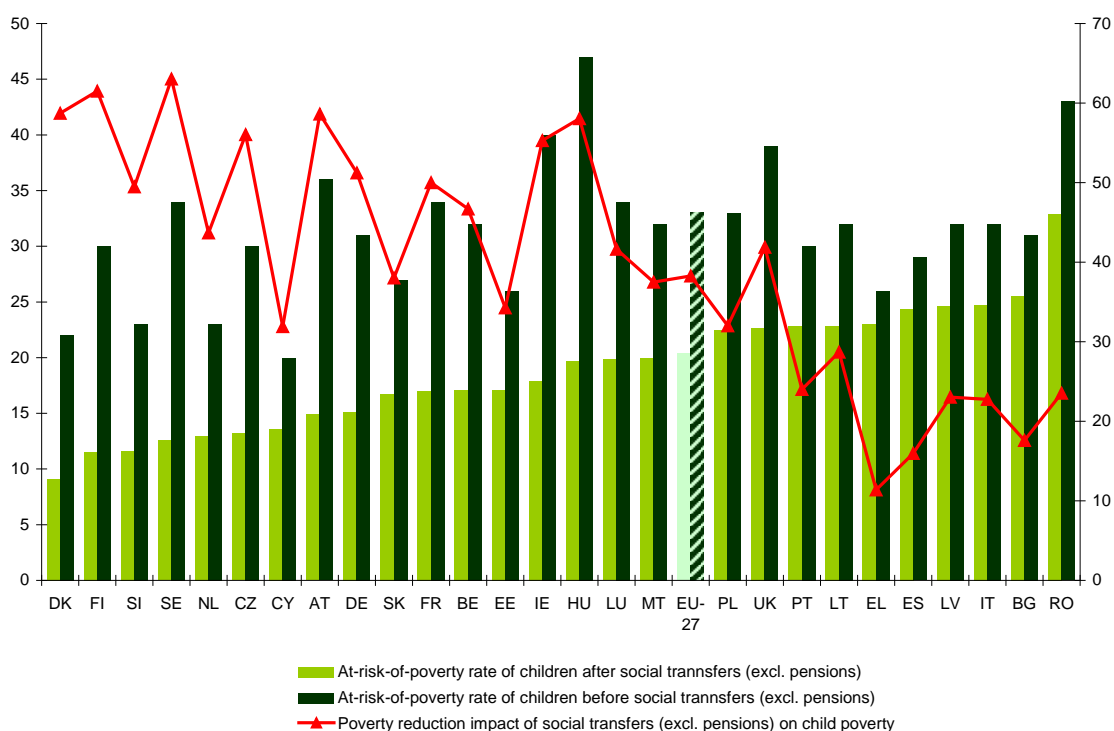
The impact of income supports varies greatly from country to country, ranging from 11% (3 percentage points) in Greece and 16% (5 percentage points) in Spain, to 63% in Sweden (21 percentage points) and Finland (18 percentage points). Social transfers have the greatest impact (at least 50%) on child poverty in the Nordic states, the Czech Republic, Germany, Ireland, France, Austria and Hungary. Of these countries, the Czech Republic, Denmark, Germany and Finland have an at-risk-of-poverty rate among children before transfers that is below or equal to the EU average. Social transfers have a very limited impact on child poverty in Greece, Spain, Latvia, Lithuania, Italy, Portugal and Poland.

According to Figure 4, the at-risk-of-poverty rate of children after transfers and the poverty reduction effects of cash transfers (excl. pensions) are strongly and negatively correlated: the more effective the income supports in a country are in reducing poverty among children, the smaller is the risk of poverty among them.

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<sup>9</sup> While the assumed withdrawal of taxes and benefits is indicative of the effect of policy, there are significant limitations on the results obtained. First and foremost, this method cannot control for behavioural responses. Withdrawing any kind of social transfer or changing any parameter of the tax system would, in practice, lead to alterations in the behaviour of household members (UNICEF 2005: 20). Second, the data sources used for such analyses do not always enable different types of transfer to be distinguished. Third, household income surveys are not able to capture the full complexity of national tax and benefit systems. As Immervoll et al. (2001) argue, in order to explore how well benefits perform in alleviating child poverty, there is a need to be able to focus on particular aspects of their design. The use of withdrawal methods does not provide a satisfactory answer to the question: ‘What if family benefits were abolished throughout Europe?’ (*ibid.*: 414).

**Figure 4: The effectiveness of social transfers (excluding pensions), EU-27, 2008**



Source: Own calculations based on EU-SILC 2008 (version 01.03.2010).

Notes: Countries are ranked according to the at-risk-of-poverty rate of children after social transfers (excl. pensions).

## 5. International benchmarking and key challenges for each Member State

The EU Task-Force report (2008) developed a common framework to analyse and monitor child poverty and social exclusion at EU and national levels. This addresses the key challenges, including the poverty risk outcomes of children and the main factors that lie behind these outcomes. Member States agreed on the monitoring framework in the Social Protection Committee. In its recommendations, the EU Task-Force encouraged Member States to ensure that their monitoring systems fed into the common EU framework.

Here, we validate this analytical framework on 2008 data, following earlier works. The EU-Task-Force report (2008) did the validation on 2005 data, a short paper prepared by the DG Employment (EC 2008) on 2006 data, while the TÁRKI report (2010) on 2007 data. The results of these earlier works are presented in the Annex (Tables A2-4.).

The framework includes two main dimensions: one on outcomes and another on determinants. The latter consists of two sub-dimensions (labour-market participation and government intervention), including three main indicators: number of children in jobless households, in-work poverty and policy impact. Indicators involved in the process are as follows.

1. Child poverty risk outcomes: at-risk-of-poverty rate and relative median poverty gap; the difference between the national figure for children and the overall national figure for both the at-risk-of-poverty rate and the poverty gap is calculated, as is the difference between the national figure for children and the EU average for children in the case of the at-risk-of-poverty rate; these three measures are standardised and added together, without weighting, to obtain the score for child poverty outcomes.

2. Number of children in jobless households: the standardised distance from the national average and the standardised distance from the EU average are added together (as described above).
3. In-work poverty of children: similarly, the standardised distance from the national average and the standardised distance from the EU average are added together.
4. The effectiveness of government intervention, measured by the poverty-reduction effect of social transfers (excluding pensions): the standardised distance from the EU average is considered only in this case.

In each dimension, countries are assessed by their relative performance, using a six-level categorisation: from +++ (highest performance) to - - - (lowest performance).<sup>10</sup> The analysis is completed with some additional characteristics for households with children: household composition, the age of the mother, and the education of the parents.

Table 2 includes the validation of this analytical framework based on the 2008 data.<sup>11</sup> While in many respects the country clusters stay stable, we may register some important changes during these four waves as well. Four country clusters can be identified.

**Group A** includes countries with good child poverty outcomes and that are also good performers in all determinant-side dimensions: the Nordic countries (Finland, Denmark, Sweden), Cyprus, the Netherlands, Austria and Slovenia all appeared in this cluster on the basis of the 2005 and 2006 data. Based on 2007 and 2008 estimates, France also is included in this group, while Estonia joins based on the latest figures, both countries having earlier been part of group B. These outcomes are the result of a combination of three main factors: high labour-market participation of parents, low in-work poverty and effective income support.

High labour-market participation of both parents is the key factor behind good outcomes in most of these countries. In Denmark, Finland, Sweden, Cyprus and Slovenia, children live predominantly with two-earner couples. In Denmark and Finland, the share of children with one parent working full time is also considerable; in Cyprus and Slovenia, the ‘single-breadwinner’ arrangement is still widespread. In the Netherlands, the role of the second earner in a part-time job is dominant, and it is not common to have both parents in full-time employment. As an outlier, in Austria the ‘single-breadwinner’ model is dominant, high earnings and income support compensating for the lack of a second earner, though the role of the model featuring one full-time earner and a part-time earner is also considerable.

In the Nordic countries, France and Slovenia, childcare provisions are a great help to parents participating in the labour market. Social transfers in Group A countries are not specifically targeted at children – only in France and Austria are they preferred by the benefit system; however, their effectiveness is generally high, with the exception of Cyprus and Estonia.

Only in the Nordic countries (Denmark, Finland and Sweden) is the share of children living within single-parent families considerably higher than the EU average; most of these children have their parent (mostly the mother) in full-time employment and experience the lowest risk of poverty in the European Union. Nor are children in large families at high risk of poverty in these countries, except for in the Netherlands, where they not only experience close to the EU average risk of poverty, but also account for almost half of all children with an income below the poverty line.

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<sup>10</sup> For further methodological description and supporting tables see Annex.

<sup>11</sup> The validation closely followed the methodology described in detail in EU Task-Force (2008). However, we cannot exclude the possibility of minor biases. We are aware of three deviations. First, not being part of the publicly available EU-SILC dataset, Malta can be assessed in only three of the four dimensions considered in this analysis. Second, neither France is part of the EU-SILC 2008 UDB, therefore figures on in-work poverty for this country are from 2007. Third, data on joblessness in Sweden were taken from the EU-SILC dataset, the jobless status of household members being estimated according to the ILO definition.

**Group B** includes countries with high numbers of children in jobless households and low in-work poverty: Belgium, Bulgaria, the Czech Republic, Germany, Ireland and Hungary. This group shows a considerable level of fluctuation. Slovakia and the United Kingdom were part of it during the last wave, while both countries were included in Group C according to the first validation on 2005 data (EU Task-Force 2008). Slovakia shifted from Group C to Group B according to the 2006 data (EC 2008), being followed by the UK according to the 2007 data (TÁRKI 2010).

Within this group, Germany and Belgium have above-average child poverty outcomes, though no country performs really badly in this respect (not even Hungary, where the risk of poverty of children relative to the overall population lies behind the slightly above average aggregate outcome). One explanation could be that relatively effective income supports in almost all these Member States (Czech Republic, Ireland and Hungary, besides Belgium and Germany) result not only in a considerable reduction in the extent of poverty, but also in narrower-than-average relative median poverty gaps. Also, some countries perform well in the field of in-work poverty, resulting in levels of poverty incidence that are lower than the EU average (Belgium, Czech Republic, Germany).

According to the results of the analysis, Bulgaria also is part of Group B, but also differs from other Member States from the group in many respects. First, unlike the other group members, Bulgaria performs badly in the government intervention dimension: the Bulgarian income support is one of the least effective in the European Union. Second, partly due to the ineffectiveness of cash transfers, Bulgaria shows very poor child poverty risk outcomes, the worse in the EU next to Romania. However, since its performance is slightly above average in terms of in-work poverty, the country has been included in Group B instead of C, in order to establish as clear country clusters as possible.

In some of these countries, joblessness is strongly related to living in single-parent families. In Belgium and Ireland, the share of children with lone parents is high; furthermore, in Belgium and Ireland those parents are also highly likely to be jobless. On the other hand, in Hungary does having a single parent result in a high risk of living in a jobless household at the same time. In Hungary, joblessness and weak labour-market attachment mainly affects children in large families, and is compensated for by generous income supports (mostly cash family benefits).

**Table 2 Relative outcomes of countries related to child poverty risk and main determinants of child poverty risk**

		Child poverty risk outcomes	Joblessness: children living in jobless households	In-work poverty: children living in households confronted with such poverty	Impact of social transfers (cash benefits excl. pensions) on child poverty
Group A	Denmark	+++	+++	+++	+++
	Estonia	++	+	+	-
	France	+	+	++	++
	Cyprus	+++	++	++	-
	Netherlands	++	++	++	+
	Austria	++	++	++	+++
	Slovenia	+++	+++	++	++
	Finland	+++	+++	++	+++
	Sweden	++	++	+++	+++
Group B	Belgium	+	-	++	++
	Czech Republic	+	-	++	+++
	Germany	++	-	++	++
	Ireland	+	--	++	+++

	<b>Hungary</b>	-	--	+	+++
	<b>Bulgaria</b>	---	-	+	---
<b>Group C</b>	<b>Latvia</b>	-	-	--	--
	<b>Lithuania</b>	--	-	--	-
	<b>Slovakia</b>	-	-	-	+
	<b>United Kingdom</b>	-	---	-	+
	<b>Romania</b>	---	-	---	--
<b>Group D</b>	<b>Greece</b>	--	+++	--	---
	<b>Spain</b>	--	+	---	---
	<b>Italy</b>	--	++	---	--
	<b>Luxemburg</b>	-	+++	--	+
	<b>Poland</b>	--	+	--	-
	<b>Portugal</b>	--	++	--	--

Source: own calculations based on data from EUROSTAT and EU-SILC 2008 UDB (version 01.03.2010), following the methodology developed by the EU Task-Force (2008).

Notes. In each dimension, countries are assessed by their relative performance, using a six-level categorisation: from +++ (highest performance) to - - - (lowest performance).

**Group C** consists of Member States with below-average performance in all dimensions. Poor outcomes are rooted mainly in the inadequate labour market participation of families with children and we could also observe that income support in these countries do not prevent children to a large extent from staying poor. Members of this group are Latvia, Lithuania, Slovakia, the United Kingdom and Romania. Group C is the group most affected by changes from the previous wave of validation (2006). Latvia and Lithuania were parts of Group D based on 2005 and 2006 data (EU Task-Force 2008, EC 2008). According to the first validation, this group contained Hungary, the UK, Slovakia, as well as Malta (which is not included in the present exercise). The TÁRKI report (2010) found that Latvia and Lithuania are the only countries with poor performance in all dimensions, while the others shifted to Group B based on 2007 data (Slovakia in the second wave of validations, while Hungary and the UK in the third wave). Romania, first time in the analysis, is included in Group C according to our analysis.

The results suggest that the uncertain position of Slovakia and the United Kingdom is not a coincidence. These two countries strongly differ from the other members of the group. First, their outcomes are - although in the negative range – better compared to the others. Second, their performance is slightly positive when looking at the effectiveness of cash transfers.

**Group D** includes countries with poor poverty outcomes and where children experience high levels of in-work poverty, but where their share in jobless households is low: all the Southern countries (Greece, Spain, Italy and Portugal), Luxembourg and Poland, all these countries staying in the same cluster across all validation waves. In earlier validation waves, Latvia and Lithuania were in this group, but they have shifted to Group C this time.

None of the countries in this group have child poverty outcomes near (or above) the average. In fact, these Member States have the worst performance in this respect. Not only is the extent of poverty high, but the poverty gap is likewise wide.

High levels of in-work poverty can be attributed to the high share of children in single-breadwinner households, and to the high risk of poverty among them. In all Member States concerned, the share of children in families where one parent works full time while the other is not in employment exceeds 40% of all children at risk of poverty, and they even account for the majority of such children in Italy, Spain and Greece. In Portugal, the high presence of mothers in the labour market (partly facilitated by the childcare services available) results in a relatively low share of all children with only one parent in employment – but also in the highest risk of poverty for those children in any country. In Poland, the relatively high level of

full-time employment among mothers is associated with the highest risk of poverty of children in two-breadwinner households anywhere in the EU.

In countries where joblessness is defined as a key challenge, the problem is mostly associated with single-parent households. By contrast, in Group D Member States, in-work poverty is mostly related to couples with at least two dependent children; the share of children in single-parent families among those at risk of poverty is low, despite the high risk of poverty among them. In most of these countries, it is the children in households of couples with three or more dependent children that are most severely affected – except for in Greece, where those in households with two dependent children face a similar risk of poverty to children in large families, accounting for more than half of all children in poverty. In Luxembourg, children in single-breadwinner households form not only the largest group of all children, but also the largest among those at risk of poverty. There, the main difference (compared to other countries in the group) is the extremely high risk of poverty (the highest in any Member State) faced by children in single-parent families and the relatively high proportion of them among those at risk of poverty, despite the lower than EU average share of all children in such households and the high participation of single parents in the labour market.

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## Annex

**Table A.1 At-risk-of-poverty rates before and after transfers (excluding pensions) and the impact of transfers for children EU-27, 2008 (%)**

Country	At-risk-of-poverty rate after transfers (excl. pensions) for children	At-risk-of-poverty rate before transfers (excl. pensions) for children	Impact of all transfers	
			percentage points	% of at-risk-of-poverty rate before transfers
Belgium	17	32	15	47
Bulgaria	26	31	5	18
Czech Republic	13	30	17	56
Denmark	9	22	13	59
Germany	15	31	16	51
Estonia	17	26	9	34
Ireland	18	40	22	55
Greece	23	26	3	11
Spain	24	29	5	16
France	17	34	17	50
Italy	25	32	7	23
Cyprus	14	20	6	32
Latvia	25	32	7	23
Lithuania	23	32	9	29
Luxembourg	20	34	14	42
Hungary	20	47	27	58
Malta	20	32	12	38
The Netherlands	13	23	10	44
Austria	15	36	21	59
Poland	22	33	11	32
Portugal	23	30	7	24
Romania	33	43	10	24
Slovenia	12	23	11	49
Slovakia	17	27	10	38
Finland	12	30	18	62
Sweden	13	34	21	63
United Kingdom	23	39	16	42
EU-27	20	33	13	38

Source: Own calculations based on EUROSTAT data.

**Table A.2 Relative outcomes of countries related to child poverty risk and main determinants of child poverty risk, 2005**

		Child poverty risk outcomes	Joblessness: children living in jobless households	In-work poverty: children living in households confronted with in-work poverty	Impact of social transfers (cash benefits excl. pensions) on child poverty
<b>Group A</b>	<b>AT</b>	++	+	+	++
	<b>CY</b>	+++	+	++	-
	<b>DK</b>	+++	+	+++	++
	<b>FI</b>	+++	++	+++	+++
	<b>NL</b>	+	+	+	+
	<b>SE</b>	+++	(++)	+++	+++
	<b>SI</b>	++	+++	++	++
<b>Group B</b>	<b>BE</b>	+	--	++	+
	<b>CZ</b>	-	--	+	+
	<b>DE</b>	++	--	+++	++
	<b>EE</b>	--	--	+	-
	<b>FR</b>	++	-	++	++
	<b>IE</b>	-	---	+	+
<b>Group C</b>	<b>HU</b>	-	---	--	++
	<b>MT</b>	-	--	---	--
	<b>SK</b>	-	---	-	-
	<b>UK</b>	+	---	-	+
<b>Group D</b>	<b>EL</b>	+	+++	-	---
	<b>ES</b>	--	+	---	---
	<b>IT</b>	--	++	---	--
	<b>LT</b>	---	+	---	--
	<b>LU</b>	+	+++	--	+
	<b>LV</b>	--	-	-	--
	<b>PL</b>	---	-	---	--
	<b>PT</b>	--	+	---	--
	<b>BG</b>	--	---	:	:
	<b>RO</b>	--	---	:	:

Source: EU-Tas-Force (2008).

**Table A.3 Relative outcomes of countries related to child poverty risk and main determinants of child poverty risk, 2006**

		Child poverty risk outcomes	Joblessness: children living in jobless households	In-work poverty: children living in households confronted with in-work poverty	Impact of social transfers (cash benefits excl. pensions) on child poverty
<b>Group A</b>	<b>AT</b>	+	+	++	++
	<b>CY</b>	+++	+	+++	+
	<b>DK</b>	+++	+	+++	++
	<b>FI</b>	+++	++	+++	+++
	<b>NL</b>	+	+	+	+
	<b>SE</b>	+	(++)	++	++
	<b>SI</b>	++	+++	+++	++
<b>Group B</b>	<b>BE</b>	+	--	+++	+
	<b>CZ</b>	-	--	+	+
	<b>DE</b>	++	--	+++	+++
	<b>EE</b>	--	--	+	-
	<b>FR</b>	++	-	++	++
	<b>IE</b>	-	---	+	+
	<b>SK</b>	-	---	+	+
<b>Group C</b>	<b>HU</b>	---	---	-	+
	<b>MT</b>	-	--	--	-
	<b>UK</b>	--	---	--	+
<b>Group D</b>	<b>EL</b>	--	+++	--	---
	<b>ES</b>	---	+	---	---
	<b>IT</b>	---	++	---	--
	<b>LT</b>	---	+	--	--
	<b>LU</b>	--	+++	--	+
	<b>LV</b>	---	-	--	--
	<b>PL</b>	---	-	--	--
	<b>PT</b>	--	+	--	--

Source: EC (2008).

**Table A.4: Relative outcomes of countries related to child poverty risk and main determinants of child poverty risk, 2007**

		Child poverty risk outcomes	Joblessness: children living in jobless households	In-work poverty: children living in households confronted with such poverty	Impact of social transfers (cash benefits excl. pensions) on child poverty
<b>Group A</b>	<b>FI</b>	+++	+++	++	+++
	<b>CY</b>	+++	++	++	-
	<b>DK</b>	++	++	+++	++
	<b>SI</b>	++	+++	++	++
	<b>SE</b>	++	++	+++	+++
	<b>FR</b>	++	+	++	++
	<b>NL</b>	+	+	+	+
	<b>AT</b>	+	++	+	++
<b>Group B</b>	<b>DE</b>	++	-	+++	++
	<b>BE</b>	+	-	+++	+
	<b>SK</b>	-	-	+	-
	<b>EE</b>	-	-	+	-
	<b>CZ</b>	-	-	++	+
	<b>IE</b>	-	--	++	+
	<b>HU</b>	-	--	+	++
	<b>UK</b>	-	---	+	+
<b>Group C</b>	<b>LV</b>	-	-	-	-
	<b>LT</b>	--	-	-	--
<b>Group D</b>	<b>PT</b>	-	+	-	--
	<b>LU</b>	-	+++	--	-
	<b>EL</b>	--	+++	--	---
	<b>PL</b>	---	+	--	-
	<b>ES</b>	--	+	---	---
	<b>IT</b>	---	++	---	--

Source: TÁRKI (2010).